

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 NSC-05 CIAE-00 INR-07 NSAE-00
EB-07 TRSE-00 OMB-01 H-01 L-03 DHA-02 VO-03 SCA-01
PRS-01 /059 W
-----301200Z 030843 /20 S

R 301121Z DEC 76
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 5788
INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L WARSAW 9238

E.O. 11652: GDS
TAGS: EFIN, ETRD, EGEN, PL, UR
SUBJECT: EARLY REPAYMENT OF POLISH INVESTMENTS IN USSR
MAY HELP SOVIETS

REF: (A) MOSCOW 19869, (B) STATE 300349

1. ONE EXPLANATION FOR THE SOVIETS' INCLUSION OF EARLY REPAYMENT OF POLISH INVESTMENTS IN THEIR ASSISTANCE PACKAGE IS THAT AID IN THAT FORM MAY BE LESS COSTLY TO THEM THAN LETTING THE POLES ACCUMULATE A TRADE DEFICIT OF A BILLION RUBLES OR MORE.
 2. AS SEEN FROM WARSAW, SUCCESS IN INTRA-CEMA TRADE NEGOTIATIONS IS ACHIEVED BY RECEIVING WORLD-QUALITY GOODS IN EXCHANGE FOR NON-WORLD QUALITY GOODS. THUS, THE POLES TRY TO GET FOOD, RAW MATERIALS, FUELS AND THE OUTPUT OF MODERN PLANTS (PREFERABLY WESTERN-EQUIPPED) IN EXCHANGE FOR POOR GRADE MACHINERY AND CONSUMER PRODUCTS PRODUCED BY OLDER PLANTS.
 3. BY PAYING OFF THE INVESTMENTS NOW, THE SOVIETS HAVE PROBABLY ENDED THEIR COMMITMENT TO PAY FOR THEM IN THE FUTURE WITH THE QUALITY OUTPUTS OF THE NEW PLANTS. THEREFORE, WHEN POLAND WANTS TO GET ACCESS
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TO THE PRODUCTS OF THESE PLANTS, IT WILL HAVE TO OFFER ADDITIONAL GOODS ACCEPTABLE TO THE SOVIETS. IF THE POLES HAD MERELY BEEN ALLOWED TO ACCUMULATE A DEFICIT TRADE BALANCE, THEY WOULD HAVE RETAINED GUARANTEED ACCESS TO THE OUTPUT OF THE PLANTS AND WOULD HAVE HAD LESS TROUBLE GETTING THE SOVIETS TO ACCEPT LOWER QUALITY GOODS TO

SETTLE THE DEFICIT.
BROWN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, ECONOMIC COOPERATION, POLICIES, TRADE AGREEMENTS, DEBT REPAYMENTS, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976WARSAW09238
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760476-0101
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976122/aaaaabfh.tel
Line Count: 63
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 MOSCOW 19869, 77 STATE 300349
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by greeneet>; APPROVED <04 MAY 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EARLY REPAYMENT OF POLISH INVESTMENTS IN USSR MAY HELP SOVIETS
TAGS: EFIN, ETRD, EGEN, PL, UR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006